

1 Amend sections 19816, 19816.1, and 19845.2 to read:

2 **TITLE 5. Education**

3 **Division 1.5. Education Audit Appeals Panel**

4 **Chapter 3. Audits of California K-12 Local Education Agencies**

5 **Article 2. Audit Reports**

6 **§ 19816. Definitions.**

7 The content of the audit report sections and subsections specified in Section 19815 is as
8 described in the *Codification of Statements on Auditing Standards*, published by the American
9 Institute of Certified Public Accountants, the *Codification of Governmental Accounting and*
10 *Financial Reporting Standards*, published by the Governmental Accounting Standards Board
11 (GASB), or *Government Auditing Standards* published by the Comptroller General of the
12 United States, in the respective editions applicable to the fiscal year being audited, or as
13 defined in one of the following:

14 (a) “*Government Auditing Standards*” means the publication by the Comptroller General of
15 the United States, United States General Accounting Office, originally issued in 1972 and
16 revised from time to time, commonly known as the “Yellow Book,” that contains standards for
17 audits of government organizations, programs, activities, and functions and that is referenced
18 in Education Code sections 14501, 14503, and 41020(b)(4).

19 (b) “Local Education Agency Organization Structure” means a description in the
20 Supplementary Information section that sets forth the following information, at a minimum:

21 (1) The date on which the local education agency was established, and for charter schools
22 the date and granting authority of each charter;

23 (2) The date and a general description of any change during the year audited in a school
24 district’s boundaries;

- 1 (3) The numbers by type of schools in the local education agency;
- 2 (4) The names, titles, terms, and term expiration dates of all members of the governing
3 board;
- 4 (5) The names, with their titles, of the superintendent, chief business official, and
5 deputy/associate/assistant superintendents.
- 6 (c) “OMB Circular A-133” means the publication, produced by the federal Office of
7 Management and Budget and titled *Audits of States, Local Governments, and Non-Profit*
8 *Organizations*, that sets forth standards for attaining consistency and uniformity in the audits of
9 governments and organizations expending federal awards.
- 10 (d) “Reconciliation of Annual Financial and Budget Report with Audited Financial
11 Statements” means a schedule that displays the differences between the ending fund balance(s)
12 from the audited financial statements and the unaudited ending fund balance(s) from the annual
13 financial and budget report for each fund in which a variance occurred.
- 14 (e) “Report on Internal Control Over Financial Reporting and on Compliance and Other
15 Matters Based on an Audit of Financial Statements Performed in Accordance with *Government*
16 *Auditing Standards*” means, for fiscal years 2003-04 through 2008-09, the component of the
17 Other Independent Auditor’s Reports that specifies material instances of noncompliance, if
18 any; defines reportable conditions and specifies the reportable conditions disclosed as a result
19 of the audit; defines material weaknesses and specifies the material weaknesses, if any, that
20 were disclosed by the audit; includes a statement that no material weaknesses were found, if
21 that is the case; includes a statement that nonmaterial noncompliance and nonreportable
22 conditions involving the internal control structure and its operation were communicated to
23 management in a separate management letter, if that is the case; specifies all instances of fraud
24 and illegal acts, if any, that were disclosed by the audit, unless clearly inconsequential; and

1 specifies material abuse, if any, that was disclosed by the audit.

2 (f) “Report on Internal Control Over Financial Reporting and on Compliance and Other
3 Matters Based on an Audit of Financial Statements Performed in Accordance with *Government*
4 *Auditing Standards*” means,

5 (1) for fiscal years 2009-10 through 2010-11, the component of the Other Independent
6 Auditor’s Reports that specifies material instances of noncompliance, if any; defines control
7 deficiency and significant deficiency and specifies the significant deficiencies disclosed by the
8 audit; defines material weaknesses and specifies the material weaknesses, if any, that were
9 disclosed by the audit; if no significant deficiencies were identified, includes a statement that
10 no material weaknesses were noted; if significant deficiencies were noted, a statement that the
11 auditor’s consideration of internal control over financial reporting would not necessarily
12 identify all deficiencies in the internal control that might be significant deficiencies and a
13 statement about whether the auditor believes any of the significant deficiencies noted were
14 material weaknesses; includes a statement that additional matters were communicated to the
15 auditee in a management letter, if that is the case; specifies all instances of fraud and illegal
16 acts, if any, that were disclosed by the audit, unless clearly inconsequential; specifies material
17 violations of provisions of contracts and grant agreements, if any; and specifies material abuse,
18 if any, that was disclosed by the audit;

19 (2) for fiscal year 2011-12 and following, the component of the Other Independent
20 Auditor’s Reports that reports on these matters in accordance with the financial reporting
21 requirements specified in the *Codification of Statements on Auditing Standards* and in
22 *Government Auditing Standards*, as applicable to the year being audited.

23 (g) “Report on State Compliance” means, for fiscal years 2003-04 through 2010-11, the
24 component of the Other Independent Auditor’s Reports that specifically and separately

addresses each of the state compliance requirements included in this audit guide that are applicable to the year audited, stating whether or not the district is in compliance with those requirements; includes a chart that displays the number of audit procedures for each compliance requirement applicable to the year audited and states that the audit procedures included in the audit guide for each requirement were followed in the making of the audit, if that is the case, or, if not, what other procedures were followed; and includes an expression of positive assurance with respect to compliance with applicable laws and regulations for those items tested in accordance with those regulations, and negative assurance for untested items.

(1) The numbers of audit procedures for the compliance requirements included in this audit guide for audits of fiscal year 2003-04 are

Attendance Reporting, 6;

Kindergarten Continuance, 3;

Independent Study, 22;

Continuation Education, 10;

Adult Education, 9;

Regional Occupational Centers and Programs, 6;

Instructional Time and Staff Development Reform Program, 7;

Instructional Time for school districts, 4; for county offices of education, 3;

Community Day Schools, 9;

Instructional Materials general requirements, 9; K-8 only, 1; grades 9-12 only, 1;

Ratios of Administrative Employees to Teachers, 1;

Early Retirement Incentive, 4;

Gann Limit Calculation, 1;

Class Size Reduction (including in charter schools): general requirements, 7; Option One,

1 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4.

2 (2) The numbers of audit procedures for the compliance requirements included in this audit

3 guide for audits of fiscal year 2004-05 are

4 Attendance Reporting, 8;

5 Kindergarten Continuance, 3;

6 Independent Study, 22;

7 Continuation Education, 10;

8 Adult Education, 9;

9 Regional Occupational Centers and Programs, 6;

10 Instructional Time and Staff Development Reform Program, 7;

11 Instructional Time for school districts, 4; for county offices of education, 3;

12 Community Day Schools, 9;

13 Instructional Materials general requirements, 12; K-8 only, 1; grades 9-12 only, 1;

14 Ratios of Administrative Employees to Teachers, 1;

15 Early Retirement Incentive, 4;

16 Gann Limit Calculation, 1;

17 School Construction Funds: School District Bonds, 3; State School Facilities Funds, 1;

18 Alternative Pension Plans, 2;

19 Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000), 2;

20 State Lottery Funds (California State Lottery Act of 1984), 2;

21 California School Age Families Education (Cal-SAFE) Program, 3;

22 School Accountability Report Card, 3;

23 Class Size Reduction (including in charter schools): general requirements, 7; Option One,

24 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4.

1 (3) The numbers of audit procedures for the compliance requirements included in this audit
2 guide for audits of fiscal year 2005-06 are

3 Attendance Reporting, 8;
4 Kindergarten Continuance, 3;
5 Independent Study, 22;
6 Continuation Education, 10;
7 Adult Education, 9;
8 Regional Occupational Centers and Programs, 6;
9 Instructional Time for school districts, 4; for county offices of education, 3;
10 Community Day Schools, 9;
11 Morgan-Hart Class Size Reduction Program, 7;
12 Instructional Materials general requirements, 12; K-8 only, 1; grades 9-12 only, 1;
13 Ratios of Administrative Employees to Teachers, 1;
14 Early Retirement Incentive, 4;
15 Gann Limit Calculation, 1;
16 School Construction Funds: School District Bonds, 3; State School Facilities Funds, 1;
17 Alternative Pension Plans, 2;
18 Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000), 2;
19 State Lottery Funds (California State Lottery Act of 1984), 2;
20 California School Age Families Education (Cal-SAFE) Program, 3;
21 School Accountability Report Card, 3;
22 Class Size Reduction (including in charter schools): general requirements, 7; Option One,
23 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;
24 Contemporaneous Records of Attendance, for charter schools, 1;

1 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;
2 Additional Nonclassroom-Based Instruction, for charter schools, 1;
3 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;
4 Annual Instructional Minutes – Classroom Based, for charter schools, 3.
5 (4) The numbers of audit procedures for the compliance requirements included in this audit
6 guide for audits of fiscal year 2006-07 are
7 Attendance Reporting, 8;
8 Kindergarten Continuance, 3;
9 Independent Study, 23;
10 Continuation Education, 10;
11 Adult Education, 9;
12 Regional Occupational Centers and Programs, 6;
13 Instructional Time for school districts, 6; for county offices of education, 3;
14 Community Day Schools, 9;
15 Morgan-Hart Class Size Reduction Program, 7;
16 Instructional Materials general requirements, 12; K-8 only, 1; grades 9-12 only, 1;
17 Ratios of Administrative Employees to Teachers, 1;
18 Early Retirement Incentive, 4;
19 Gann Limit Calculation, 1;
20 School Construction Funds: School District Bonds, 3; State School Facilities Funds, 1;
21 Alternative Pension Plans, 2;
22 Excess Sick Leave, 2 or 3;
23 Notice of Right To Elect California State Teachers Retirement System (CalSTRS)
24 Membership, 1;

1 Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000), 2;
2 State Lottery Funds (California State Lottery Act of 1984), 2;
3 California School Age Families Education (Cal-SAFE) Program, 3;
4 School Accountability Report Card, 3;
5 Class Size Reduction (including in charter schools): general requirements, 7; Option One,
6 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;
7 Contemporaneous Records of Attendance, for charter schools, 1;
8 Mode of Instruction, for charter schools, 1;
9 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;
10 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;
11 Annual Instructional Minutes – Classroom Based, for charter schools, 3.
12 (5) The numbers of audit procedures for the compliance requirements included in this audit
13 guide for audits of fiscal year 2007-08 are
14 Attendance Reporting, 8;
15 Kindergarten Continuance, 3;
16 Independent Study, 23;
17 Continuation Education, 10;
18 Adult Education, 9;
19 Regional Occupational Centers and Programs, 6;
20 Instructional Time for school districts, 6; for county offices of education, 3;
21 Community Day Schools, 9;
22 Morgan-Hart Class Size Reduction Program, 7;
23 Instructional Materials general requirements, 12; K-8 only, 1; grades 9-12 only, 1;
24 Ratios of Administrative Employees to Teachers, 1;

1 Classroom Teacher Salaries, 1;
2 Early Retirement Incentive, 4;
3 Gann Limit Calculation, 1;
4 School Construction Funds: School District Bonds, 3; State School Facilities Funds, 1;
5 Excess Sick Leave, 2 or 3;
6 Notice of Right To Elect California State Teachers Retirement System (CalSTRS)
7 Membership, 1;
8 Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000), 2;
9 State Lottery Funds (California State Lottery Act of 1984), 2;
10 California School Age Families Education (Cal-SAFE) Program, 3;
11 School Accountability Report Card, 3;
12 Mathematics and Reading Professional Development, 4;
13 Class Size Reduction (including in charter schools): general requirements, 7; Option One,
14 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;
15 After School Education and Safety Program: general requirements, 4; after school, 4;
16 before school, 5;
17 Contemporaneous Records of Attendance, for charter schools, 1;
18 Mode of Instruction, for charter schools, 1;
19 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;
20 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;
21 Annual Instructional Minutes – Classroom Based, for charter schools, 3.
22 (6) The numbers of audit procedures for the compliance requirements included in this audit
23 guide for audits of fiscal year 2008-09 are
24 Attendance Reporting, 8;

1 Independent Study, 23;
2 Continuation Education, 10;
3 Instructional Time for school districts, 6; for county offices of education, 3;
4 Community Day Schools, 3;
5 Instructional Materials general requirements, 8;
6 Ratios of Administrative Employees to Teachers, 1;
7 Classroom Teacher Salaries, 1;
8 Early Retirement Incentive, 4;
9 Gann Limit Calculation, 1;
10 School Accountability Report Card, 3;
11 Class Size Reduction (including in charter schools): general requirements, 7; Option One,
12 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;
13 After School Education and Safety Program: general requirements, 4; after school, 4;
14 before school, 5;
15 Contemporaneous Records of Attendance, for charter schools, 1;
16 Mode of Instruction, for charter schools, 1;
17 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;
18 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;
19 Annual Instructional Minutes – Classroom Based, for charter schools, 3.
20 (7) The numbers of audit procedures for the compliance requirements included in this audit
21 guide for audits of fiscal year 2009-10 are
22 Attendance Reporting, 8;
23 Kindergarten Continuance, 3;
24 Independent Study, 23;

1 Continuation Education, 10;
2 Instructional Time for school districts, 6; for county offices of education, 3;
3 Instructional Materials general requirements, 8;
4 Ratios of Administrative Employees to Teachers, 1;
5 Classroom Teacher Salaries, 1;
6 Early Retirement Incentive, 4;
7 Gann Limit Calculation, 1;
8 School Accountability Report Card, 3;
9 Public Hearing Requirement – Receipt of Funds, 1;
10 Class Size Reduction (including in charter schools): general requirements, 7; Option One,
11 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;
12 After School Education and Safety Program: general requirements, 4; after school, 4;
13 before school, 5;
14 Contemporaneous Records of Attendance, for charter schools, 1;
15 Mode of Instruction, for charter schools, 1;
16 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;
17 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;
18 Annual Instructional Minutes – Classroom Based, for charter schools, 3.
19 (8) The numbers of audit procedures for the compliance requirements included in this audit
20 guide for audits of fiscal year 2010-11 are
21 Attendance Reporting, 8;
22 Kindergarten Continuance, 3;
23 Independent Study, 23;
24 Continuation Education, 10;

1 Instructional Time for school districts, 6; for county offices of education, 3;
2 Instructional Materials general requirements, 8;
3 Ratios of Administrative Employees to Teachers, 1;
4 Classroom Teacher Salaries, 1;
5 Early Retirement Incentive, 4;
6 Gann Limit Calculation, 1;
7 School Accountability Report Card, 3;
8 Public Hearing Requirement – Receipt of Funds, 1;
9 Class Size Reduction (including in charter schools): general requirements, 7; Option One,
10 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;
11 After School Education and Safety Program: general requirements, 4; after school, 4;
12 before school, 5;
13 Contemporaneous Records of Attendance, for charter schools, 1;
14 Mode of Instruction, for charter schools, 1;
15 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;
16 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;
17 Annual Instructional Minutes – Classroom Based, for charter schools, 3.

18 (h) “Report on State Compliance” means, for fiscal year 2011-12 and following, the
19 component of the Other Independent Auditor’s Reports that specifically and separately
20 addresses each of the state compliance requirements included in this audit guide that are
21 applicable to the year audited, stating that compliance with the applicable compliance
22 requirements is the responsibility of the auditee’s management, and stating whether or not the
23 auditee is in compliance with those requirements; includes a chart that displays each
24 compliance requirement and the corresponding number of audit procedures applicable to the

1 year audited and states that the audit procedures included in the audit guide for each
2 compliance requirement were followed in the making of the audit, if that is the case, or, if not,
3 what other procedures were followed; and includes an expression of opinion on whether the
4 auditee complied, in all material respects, with applicable compliance requirements.

5 (1) The numbers of audit procedures for the compliance requirements included in this audit
6 guide for audits of fiscal year 2011-12 are

7 Attendance Reporting, 6;

8 Teacher Certification and Misassignments, 3;

9 Kindergarten Continuance, 3;

10 Independent Study, 23;

11 Continuation Education, 10;

12 Instructional Time for school districts, 6; for county offices of education, 3;

13 Instructional Materials general requirements, 8;

14 Ratios of Administrative Employees to Teachers, 1;

15 Classroom Teacher Salaries, 1;

16 Early Retirement Incentive, 4;

17 Gann Limit Calculation, 1;

18 School Accountability Report Card, 3;

19 Public Hearing Requirement – Receipt of Funds, 1;

20 Juvenile Court Schools, 8;

21 Exclusion of Pupils – Pertussis Immunization, 2;

22 Class Size Reduction (including in charter schools): general requirements, 7; Option One,
23 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;

24 After School Education and Safety Program: general requirements, 4; after school, 5;

1 before school, 6;

2 Contemporaneous Records of Attendance, for charter schools, 3;

3 Mode of Instruction, for charter schools, 1;

4 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;

5 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;

6 Annual Instructional Minutes – Classroom Based, for charter schools, 4.

7 (2) The numbers of audit procedures for the compliance requirements included in this audit

8 guide for audits of fiscal year 2012-13 are

9 Attendance Reporting, 6;

10 Teacher Certification and Misassignments, 3;

11 Kindergarten Continuance, 3;

12 Independent Study, 23;

13 Continuation Education, 10;

14 Instructional Time for school districts, 6; for county offices of education, 3;

15 Instructional Materials general requirements, 8;

16 Ratios of Administrative Employees to Teachers, 1;

17 Classroom Teacher Salaries, 1;

18 Early Retirement Incentive, 4;

19 Gann Limit Calculation, 1;

20 School Accountability Report Card, 3;

21 Public Hearing Requirement – Receipt of Funds, 1;

22 Juvenile Court Schools, 8;

23 Class Size Reduction (including in charter schools): general requirements, 7; Option One,

24 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;

1 After School Education and Safety Program: general requirements, 4; after school, 5;
2 before school, 6;

3 Contemporaneous Records of Attendance, for charter schools, 1;

4 Mode of Instruction, for charter schools, 1;

5 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;

6 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;

7 Annual Instructional Minutes – Classroom Based, for charter schools, 3.

8 (i)(1) “Report on Compliance With Requirements Applicable to Each Major Program and
9 Internal Control Over Compliance in Accordance With OMB Circular A-133” means, for
10 fiscal years 2003-04 through 2010-11, the component of the Other Independent Auditor’s
11 Reports that states whether the auditee has complied with federal laws, regulations, and the
12 provisions of federal contracts or grant agreements and has established and maintained
13 effective internal control over compliance with the requirements for major federal programs.

14 (2) “Report on Compliance With Requirements that Could Have a Direct and Material
15 Effect on Each Major Program and on Internal Control Over Compliance in Accordance With
16 OMB Circular A-133,” means, for fiscal years 2011-12 and following, the component of the
17 Other Independent Auditor’s Reports that states that compliance with the applicable
18 compliance requirements is the responsibility of the auditee’s management; includes an
19 expression of opinion on whether the auditee complied, in all material respects, with federal
20 laws, regulations, and the provisions of federal contracts or grant agreements; and whether the
21 auditee has established and maintained effective internal control over compliance with the
22 requirements for major federal programs.

23 (j) “Schedule of Average Daily Attendance” means the schedule in the Supplementary
24 Information section that displays

1 (1) for fiscal years 2003-04 through 2008-09, Average Daily Attendance data for both the
2 Second Period and Annual reports, by grade level and program as appropriate, and, for charter
3 schools, includes total Average Daily Attendance and Average Daily Attendance generated
4 through classroom-based instruction;

5 (2) for fiscal years 2009-10 through 2010-11, Average Daily Attendance data for both the
6 Second Period and Annual reports, by grade level and program as appropriate, and, for charter
7 schools, includes total Average Daily Attendance and Average Daily Attendance generated
8 through classroom-based instruction; and if there are any Average Daily Attendance
9 adjustments due to audit findings, displays additional columns for the Second Period and
10 Annual reports reflecting the final Average Daily Attendance after audit finding adjustments;

11 (3) for fiscal year 2011-12 and following, Average Daily Attendance data for both the
12 Second Period and Annual reports, by grade level and program as appropriate; and separately
13 for each charter school, shows the total Average Daily Attendance and the Average Daily
14 Attendance generated through classroom-based instruction by grade level, as appropriate; and
15 if there are any Average Daily Attendance adjustments due to audit findings, displays
16 additional columns for the Second Period and Annual reports reflecting the final Average
17 Daily Attendance after audit finding adjustments.

18 (k) “Schedule of Charter Schools” means the schedule in the Supplementary Information
19 section that lists all charter schools chartered by the school district or county office of
20 education, and displays information for each charter school on whether or not the charter
21 school is included in the school district or county office of education audit.

22 (l) “Schedule of Financial Trends and Analysis” means, for fiscal year 2003-04, the
23 schedule in the Supplementary Information section that displays information regarding the
24 auditee’s financial position and going concern status, in the form of actual financial and

1 attendance figures for at least the most recent three-year period (ending with the audit year),
2 plus the current year's budget, for the following items: General Fund financial activity,
3 including total revenue, expenditures, and other sources and uses; General Fund balance;
4 available reserve balances (funds designated for economic uncertainty, and any other
5 remaining undesignated fund balance) within the General Fund, Special Reserve Fund, and any
6 Article XIII-B Trust Funds; available reserve balances expressed as a percentage of total
7 General Fund outgo (expenditures, transfers out, and other uses), including a comparison to the
8 applicable state-recommended available reserve percentage; total long-term debt; and
9 elementary and secondary Second Principal Average Daily Attendance, excluding Regional
10 Occupational Centers and Programs and Adult Average Daily Attendance; and, when the
11 auditee's percentage of available reserves to total General Fund outgo is below the state-
12 recommended percentage, management's plans for increasing the auditee's available reserve
13 percentage.

14 (m) "Schedule of Financial Trends and Analysis" means, for fiscal year 2004-05 and each
15 fiscal year thereafter, the schedule in the Supplementary Information section that displays
16 information regarding the auditee's financial position and going concern status, in the form of
17 actual financial and attendance figures for at least the most recent three-year period (ending
18 with the audit year), plus the current year's budget, for the following items: General Fund
19 financial activity, including total revenue, expenditures, and other sources and uses; General
20 Fund balance; available reserve balances (funds designated for economic uncertainty, and any
21 other remaining undesignated fund balance) within the General Fund or Special Reserve Fund;
22 available reserve balances expressed as a percentage of total General Fund outgo
23 (expenditures, transfers out, and other uses), including a comparison to the applicable state-
24 recommended available reserve percentage; total long-term debt; and elementary and

secondary Second Principal Average Daily Attendance, excluding Regional Occupational Centers and Programs and Adult Average Daily Attendance; and, when the auditee's percentage of available reserves to total General Fund outgo is below the state-recommended percentage, management's plans for increasing the auditee's available reserve percentage.

(n) "Schedule of Findings and Questioned Costs" means that part of the Findings and Recommendations section that presents all audit year findings, and a copy of each management letter issued, if any, with each finding assigned the appropriate code from among the following: 10000 Attendance, 20000 Inventory of Equipment, 30000 Internal Control, 40000 State Compliance, 41000 CalSTRS, 50000 Federal Compliance, 60000 Miscellaneous, 61000 Classroom Teacher Salaries, 70000 Instructional Materials, 71000 Teacher Misassignments, 72000 School Accountability Report Card, and includes the following elements:

(1) criteria

(2) condition

(3) effect

(4) cause

(5) a statement of the number of units of Average Daily Attendance, if any, that were inappropriately reported for apportionment; and a statement consistent with its basis of funding, for any other inappropriately reported claim—such as number of staff development days, or number of pupils for Class Size Reduction, or amount in dollars for Instructional Materials, and so forth

(6) a recommendation for the resolution of the finding

(7) a corrective action plan prepared by the auditee that describes in specific terms the actions planned or taken to correct the problem, or a statement from the auditee that the corrective action recommended by the auditor is not necessary or appropriate and giving the

specific reasons why, if that is the case, and a statement that the corrective action plan was not available if no corrective action plan was submitted before the audit report was prepared.

(o) “Schedule of Instructional Time” means a schedule in the Supplementary Information section that displays, for school districts, including basic aid districts, and county offices of education, data that show whether the auditee complied with the provisions of Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code; and for charter schools, data that show whether the auditee complied with the provisions of subdivision (a)(1) of Education Code Section 47612.5.

(p) “Schedule of Prior Audit Findings” means that part of the Findings and Recommendations section that presents the status of actions taken by the auditee on each of the findings and recommendations reported in the prior year audit, and includes as current year findings and recommendations those prior year findings that have not been resolved.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14501, 14502.1, 14503, 41020 and 47634.2, Education Code.

§ 19816.1. Applicability of Audit Procedures by Audit Year.

(a) Of the compliance requirements set forth in Article 3:

(1) Sections 19817 through 19825, and 19828 through 19831 are applicable to fiscal year 2003-04 audits;

(2) Sections 19817.1 through 19825, and 19828.1 through 19837 are applicable to fiscal year 2004-05 audits.

(3) Sections 19817.1 through 19822, 19824, 19825, 19827, and 19828.1 through 19837 are applicable to fiscal year 2005-06 audits.

(4) Sections 19817.1 through 19822, 19824, 19825, 19827, and 19828.1 through 19837 are applicable to fiscal year 2006-07 audits.

1 (5) Sections 19817.1 through 19822, 19824, 19825, 19827, 19828.2 through 19832, and
2 19833.5 through 19838 are applicable to fiscal year 2007-08 audits.

3 (6) Sections 19817.1, 19819, 19820, 19824, 19825, 19828.3 through 19831, and 19837.2
4 are applicable to fiscal year 2008-09 audits.

5 (7) Sections 19817.1 through 19820, 19824, 19828.4 through 19831, 19837.3, and 19839,
6 are applicable to fiscal year 2009-10 audits.

7 (8) Sections 19817.1 through 19820, 19824, 19828.4 through 19831, 19837.3, and 19839,
8 are applicable to fiscal year 2010-11 audits.

9 (9) Sections 19817.2 through 19820, 19824.1, 19828.4 through 19831, 19837.3, and 19839
10 through 19841 are applicable to fiscal year 2011-12 audits.

11 (10) Sections 19817.2 through 19820, 19824, 19828.4 through 19831, 19837.3, 19839 and
12 19840 are applicable to fiscal year 2012-13 audits.

13 (b) Of the compliance requirements set forth in Article 3.1,

14 (1) Section 19845 is applicable to fiscal year 2003-04 audits;

15 (2) Section 19845.1 is applicable to fiscal year 2004-05 audits;

16 (3) Section 19845.1 is applicable to fiscal year 2005-06 audits;

17 (4) Section 19845.1 is applicable to fiscal year 2006-07 audits;

18 (5) Sections 19845.1 and 19846 are applicable to fiscal year 2007-08 audits.

19 (6) Sections 19845.2 and 19846 are applicable to fiscal year 2008-09 audits.

20 (7) Sections 19845.2 and 19846 are applicable to fiscal year 2009-10 audits.

21 (8) Sections 19845.2 and 19846 are applicable to fiscal year 2010-11 audits.

22 (9) Sections 19845.2 and 19846.1 are applicable to fiscal year 2011-12 audits.

23 (10) Sections 19845.2 and 19846.1 are applicable to fiscal year 2012-13 audits.

24

- 1 (c) Of the compliance requirements set forth in Article 4,
- 2 (1) Sections 19850 through 19854 are applicable to fiscal year 2005-06 audits.
- 3 (2) Sections 19850 through 19854 are applicable to fiscal year 2006-07 audits.
- 4 (3) Sections 19850 through 19854 are applicable to fiscal year 2007-08 audits.
- 5 (4) Sections 19850 through 19854 are applicable to fiscal year 2008-09 audits.
- 6 (5) Sections 19850 through 19854 are applicable to fiscal year 2009-10 audits.
- 7 (6) Sections 19850 through 19854 are applicable to fiscal year 2010-11 audits.
- 8 (7) Sections 19850, 19851.1 through 19853, and 19854.1 are applicable to fiscal year
- 9 2011-12 audits.
- 10 (8) Sections 19850, 19851, and 19852 through 19854 are applicable to fiscal year 2012-13
- 11 audits.

12 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14501,

13 14502.1, 14503, 41020 and 47634.2, Education Code.

14 **Article 3.1. State Compliance Procedures: School Districts and Charter Schools**

15 **§ 19845.2. Class Size Reduction.**

16 For fiscal year 2008–09 through ~~2011–12~~ 2013-14 only, perform the following audit steps:

17 If the school district or charter school received Class Size Reduction Program funding for

18 the year audited, perform the following procedures, using daily averaging in all instances in

19 which averaging is required.

20 (a) Verify the mathematical accuracy of the Class Size Reduction Program claim form

21 submitted to the California Department of Education.

22 (b) Option One Classes

23 (1) Select a sample of classes from those that were certified as eligible for Option One

24 Class Size Reduction Program funding, using the following procedures:

1 (A) The number of classes to be reviewed shall be based on auditor judgment, but the
2 selection of classes shall be made randomly.

3 (B) For each class selected, the sample shall include at least 15 days randomly selected
4 from all instructional days that occurred between the first day of instruction and April 15,
5 inclusive, of the year audited.

6 (C) If class size for the sampled classes was more than 20.4 when averaged over a period
7 from the first day of instruction to April 15, inclusive, the auditor shall conduct a more in-
8 depth review. The in-depth review shall be either of the following:

9 1. A review of all instructional days for all classes for which a district or charter school has
10 requested funding pursuant to the provisions of Education Code Section 52126.

11 2. A randomly selected sample of all classes and instructional days, of sufficient size and
12 designed in such a manner that the auditor can conclude, with a 95 percent degree of
13 confidence, that the average daily class size for each class, when averaged over the period from
14 the first day of instruction to April 15, did not exceed 20.4.

15 (D) The district or charter school shall make the determination as to which of the two in-
16 depth review methods set forth in the immediately preceding subparagraph shall be used.

17 (2) For sampled classes, review the data used to prepare the list of Option One classes
18 reported to the California Department of Education, to verify that the report is supported by
19 contemporaneous records.

20 (3) For sampled classes, review teacher assignments and other available pupil and teacher
21 assignment data to verify that the number of students reported as being under the immediate
22 supervision of each assigned teacher for each class reported was the actual class size for a
23 substantial majority of the full regular school day.

24 (c) Option Two Classes

(1) Select a sample of classes from those that were certified as eligible for Option Two Class Size Reduction Program funding, using the following procedures:

(A) The number of classes to be reviewed shall be based on auditor judgment, but the selection of classes shall be made randomly.

(B) For each class selected, the sample shall include at least 15 days randomly selected from all instructional days that occurred between the first day of instruction and April 15, inclusive, of the year audited.

(C) If class size for the sampled classes was more than 20.4 when averaged over a period from the first day of instruction to April 15, inclusive, the auditor shall conduct a more in-depth review. The in-depth review shall be either of the following:

1. A review of all instructional days for all classes for which a district or charter school has requested funding pursuant to the provisions of Education Code Section 52126.

2. A randomly selected sample of all classes and instructional days, of sufficient size and designed in such a manner that the auditor can conclude, with a 95 percent degree of confidence, that the average daily class size for each class, when averaged over the period from the first day of instruction to April 15, did not exceed 20.4.

(D) The district or charter school shall make the determination as to which of the two in-depth review methods set forth in the immediately preceding subparagraph shall be used.

(2) For sampled classes, review the data used to prepare the list of Option Two classes reported to the California Department of Education, to verify that the report is supported by contemporaneous records.

(3) For sampled classes, review teacher assignments and other available data to ensure that the class size reported was the maximum actual class size for at least one-half of the instructional minutes offered per day in each grade for which Option Two Class Size

Reduction funding was claimed.

(4) Review class schedules to ensure that the time that pupils spent in Option Two classes was primarily devoted to instruction in reading or mathematics.

(d) Class Size Reduction option for districts or charter schools with only one school serving K-3:

For school districts or charter schools that participate in Class Size Reduction pursuant to the provisions of subdivision (h) of Education Code Section 52122, verify that:

(1) The school had no more than two classes per participating grade level,

(2) The governing board made a public declaration as set forth in subdivision (h)(2) of Education Code Section 52122,

(3) The average class size of all classes participating in Class Size Reduction, combined, did not exceed 20.4, and

(4) The pupil-to-teacher ratio did not exceed 22.4 to 1 in any class.

(e) General requirements:

(1) For all sampled classes, and for classes claimed for Class Size Reduction funding in districts or charter schools with only one school serving kindergarten and grades 1 through 3, review the school level information used to complete the California Department of Education's reporting form. Verify that:

(A) classes claimed for funding were for pupils in kindergarten, or grades 1 to 3, inclusive;

(B) if only one grade level was reduced, it was grade 1;

(C) if two grade levels were reduced, they were grades 1 and 2; and

(D) priority was given to the reduction of classes in grades 1 and 2 before classes in kindergarten or grade 3 were reduced.

(2) For the sampled classes, verify that the district or charter school did not report to the

1 California Department of Education on the Class Size Reduction reporting form:

2 (A) any classes consisting of special education pupils enrolled in special day classes on a
3 full-time basis,

4 (B) any pupil who was enrolled in independent study or home study for the full regular
5 school day,

6 (C) any pupil who was enrolled in independent study or home study for any portion of the
7 full regular school day, for that portion of each day that the pupil was on independent study or
8 home study, or

9 (D) any pupil enrolled in a Class Size Reduction combination class who was at a grade
10 level ineligible for Class Size Reduction funding.

11 (3) For the sampled classes, verify that counts began on the first teaching day each class
12 existed.

13 (4) If a district elected to reduce class size through the use of an early-late instructional
14 program and claimed Class Size Reduction funding for Option One classes, verify that it did
15 not follow the provisions of Education Code Section 46205 when calculating instructional time
16 used to qualify for Longer Instructional Day and Year incentive funding unless the district
17 operated an early-late instructional program pursuant to the provisions of Education Code
18 Section 46205 prior to July 1, 1996.

19 (5) If a district elected to reduce class size through the use of an early-late instructional
20 program and claimed Class Size Reduction funding for Option Two classes, verify that it did
21 not follow the provisions of Education Code Section 46205 when calculating instructional time
22 used to qualify for Longer Instructional Day and Year incentive funding.

23 (f) If any of the classes reported for Class Size Reduction funding is found to be ineligible
24 for such funding pursuant to any of the foregoing audit procedures, or if any individual pupils

1 in eligible classes are found to have been ineligible because of their grade level(s) but to have
2 been included in the number of eligible pupils reported, or both, prepare, and include in the
3 Findings and Recommendations section of the audit report, a schedule summarizing the results
4 of all procedures and displaying the numbers of noncompliant classes by grade level, number
5 of pupils incorrectly reported as eligible, and Class Size Reduction funding claimed on the
6 basis of those classes and pupils. Include the data for each ineligible class only once, even if
7 found to have been ineligible for Class Size Reduction funding in more than one of the steps in
8 the audit procedures. Display information separately for classes with annual average
9 enrollments determined, pursuant to the provisions of Education Code Section 52124.5, to be

10 (1) equal to or greater than 20.5 but less than 21.5, with a 5 percent reduction of the amount
11 to which the district would otherwise be eligible for each such class;

12 (2) equal to or greater than 21.5 but less than 22.5, with a 10 percent reduction of the
13 amount to which the district would otherwise be eligible for each such class;

14 (3) equal to or greater than 22.5 but less than 23, with a 15 percent reduction of the amount
15 to which the district would otherwise be eligible for each such class; and

16 (4) equal to or greater than 23 but less than 25, with a 20 percent reduction of the amount to
17 which the district would otherwise be eligible for each such class; and

18 (5) equal to or greater than 25, with a 30 percent reduction of the amount to which the
19 district would otherwise be eligible for each such class.

20 (g) Interview management regarding the district's staff development program.

21 (1) Verify that the staff development program required, as set forth in Education Code
22 Section 52127, that any certificated teacher providing direct instruction to a class in the Class
23 Size Reduction Program receive the appropriate training necessary to maximize the
24 educational advantages of Class Size Reduction, including but not limited to methods for

1 providing individualized instruction; effective teaching, including classroom management, in
2 smaller classes; identifying and responding to student needs; and opportunities to build on the
3 individual strengths of students.

4 (2) If the district did not have a staff development program as set forth in Education Code
5 Section 52127, include a finding in the Findings and Recommendations section of the audit
6 report showing the full amount of Class Size Reduction funding received as disallowed.

7 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503
8 and 41020, Education Code.

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